

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Hudson	<b>County</b> Charlevoix
<b>Audit Date</b> March 31, 2004	<b>Opinion Date</b> August 2, 2004	<b>Date Accountant Report Submitted to State:</b> August 2, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as required.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.			

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITOR'S REPORT**

August 2, 2004

To the Township Board  
Township of Hudson  
Charlevoix County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hudson, Charlevoix County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Hudson's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hudson, Charlevoix County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hudson, Charlevoix County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
<u>Assets</u>			
Cash in bank	176 854 52	145 513 94	11
Taxes receivable	3 577 82	8 599 49	-
Due from other funds	2 777 74	-	-
Land and buildings	-	-	-
Equipment and vehicles	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total Assets	<u>183 210 08</u>	<u>154 113 43</u>	<u>11</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Due to other funds	-	2 777 63	11
Loan payable	-	-	-
Total liabilities	<u>-</u>	<u>2 777 63</u>	<u>11</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Undesignated	<u>183 210 08</u>	<u>151 335 80</u>	-
Total fund equity	<u>183 210 08</u>	<u>151 335 80</u>	-
Total Liabilities and Fund Equity	<u>183 210 08</u>	<u>154 113 43</u>	<u>11</u>

The accompanying notes are an integral part of these financial statements.

<u>Account Groups</u>		<u>Total</u>
<u>General</u>	<u>General Long</u>	<u>(Memorandum</u>
<u>Fixed Assets</u>	<u>Term Debt</u>	<u>Only)</u>
-	-	322 368 57
-	-	12 177 31
-	-	2 777 74
228 979 67	-	228 979 67
210 670 26	-	210 670 26
<u>-</u>	<u>1 643 00</u>	<u>1 643 00</u>
<u>439 649 93</u>	<u>1 643 00</u>	<u>778 616 55</u>
-	-	2 777 74
<u>-</u>	<u>1 643 00</u>	<u>1 643 00</u>
<u>-</u>	<u>1 643 00</u>	<u>4 420 74</u>
439 649 93	-	439 649 93
-	-	334 545 88
<u>439 649 93</u>	<u>-</u>	<u>774 195 81</u>
<u>439 649 93</u>	<u>1 643 00</u>	<u>778 616 55</u>

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special</u>	<u>(Memorandum</u>
		<u>Revenue</u>	<u>Only)</u>
Revenues:			
Property taxes	25 146 30	76 599 83	101 746 13
Other taxes	1 932 12	-	1 932 12
Licenses and permits	1 665 00	-	1 665 00
State revenue sharing	45 053 00	-	45 053 00
Charges for services:			
Tax collection fees	8 759 08	-	8 759 08
Interest	2 907 99	1 421 21	4 329 20
Rents	4 855 00	-	4 855 00
Miscellaneous	1 009 26	-	1 009 26
Total revenues	<u>91 327 75</u>	<u>78 021 04</u>	<u>169 348 79</u>
Expenditures:			
Legislative:			
Township Board	1 200 00	-	1 200 00
General government:			
Supervisor	2 850 00	-	2 850 00
Assessor	8 930 00	-	8 930 00
Clerk	4 600 00	-	4 600 00
Board of Review	466 00	-	466 00
Treasurer	7 419 86	-	7 419 86
Building and grounds	18 092 68	-	18 092 68
Cemetery	113 75	-	113 75
Unallocated	4 080 00	-	4 080 00
Public safety:			
Fire protection	18 837 84	-	18 837 84
Zoning and planning	2 601 56	-	2 601 56
Ambulance	2 325 00	-	2 325 00
Public works:			
Highways and streets	6 516 39	-	6 516 39
Recreation and culture:			
Park	705 65	-	705 65

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Expenditures: (continued)			
Other:			
Insurance	14 931 55	-	14 931 55
Pension	1 677 94	-	1 677 94
Payroll taxes	275 36	-	275 36
Capital outlay	1 040 00	-	1 040 00
Debt service	<u>3 286 00</u>	<u>-</u>	<u>3 286 00</u>
Total expenditures	<u>99 949 58</u>	<u>-</u>	<u>99 949 58</u>
Excess (deficiency) of revenues over expenditures	<u>(8 621 83)</u>	<u>78 021 04</u>	<u>69 399 21</u>
Other financing sources (uses):			
Operating transfers in	24 741 74	-	24 741 74
Operating transfers out	<u>-</u>	<u>(24 741 74)</u>	<u>(24 741 74)</u>
Total other financing sources (uses)	<u>24 741 74</u>	<u>(24 741 74)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	16 119 91	53 279 30	69 399 21
Fund balances, April 1	<u>167 090 17</u>	<u>98 056 50</u>	<u>265 146 67</u>
Fund Balances, March 31	<u>183 210 08</u>	<u>151 335 80</u>	<u>334 545 88</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	25 151 00	25 146 30	(4 70)
Other taxes	1 933 00	1 932 12	(88)
Licenses and permits	1 700 00	1 665 00	(35 00)
State revenue sharing	45 278 00	45 053 00	(225 00)
Charges for services:			
Tax collection fees	7 500 00	8 759 08	1 259 08
Interest	3 300 00	2 907 99	(392 01)
Rents	4 600 00	4 855 00	255 00
Miscellaneous	1 000 00	1 009 26	9 26
Total revenues	<u>90 462 00</u>	<u>91 327 75</u>	<u>865 75</u>
Expenditures:			
Legislative:			
Township Board	1 200 00	1 200 00	-
General government:			
Supervisor	2 850 00	2 850 00	-
Assessor	8 906 00	8 930 00	24 00
Clerk	4 900 00	4 600 00	(300 00)
Board of Review	450 00	466 00	16 00
Treasurer	6 950 00	7 419 86	469 86
Buildings and grounds	15 000 00	18 092 68	3 092 68
Cemetery	115 00	113 75	(1 25)
Unallocated	4 080 00	4 080 00	-
Public safety:			
Fire protection	18 264 00	18 837 84	573 84
Zoning and planning	2 584 00	2 601 56	17 56
Ambulance	1 725 00	2 325 00	600 00
Public works:			
Highways and streets	6 516 00	6 516 39	39
Recreation and culture:			
Park	725 00	705 65	(19 35)

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C  
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Other:			
Insurance	14 746 00	14 931 55	185 55
Pension	1 650 00	1 677 94	27 94
Payroll taxes	250 00	275 36	25 36
Capital outlay	20 000 00	1 040 00	(18 960 00)
Debt service	<u>3 286 00</u>	<u>3 286 00</u>	<u>-</u>
Total expenditures	<u>114 197 00</u>	<u>99 949 58</u>	<u>(14 247 42)</u>
Excess (deficiency) of revenues over expenditures	<u>(23 735 00)</u>	<u>(8 621 83)</u>	<u>15 113 17</u>
Other financing sources (uses):			
Operating transfers in	24 759 00	24 741 74	(17 26)
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>24 759 00</u>	<u>24 741 74</u>	<u>(17 26)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1 024 00	16 119 91	15 095 91
Fund balances, April 1	<u>-</u>	<u>167 090 17</u>	<u>167 090 17</u>
Fund Balances, March 31	<u>1 024 00</u>	<u>183 210 08</u>	<u>182 186 08</u>

The accompanying notes are an integral part of these financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>77 704 00</u>	<u>78 021 04</u>	<u>317 04</u>
-	-	-
<u>(24 759 00)</u>	<u>(24 741 74)</u>	<u>17 26</u>
<u>(24 759 00)</u>	<u>(24 741 74)</u>	<u>17 26</u>
52 945 00	53 279 30	334 30
<u>98 405 00</u>	<u>98 056 50</u>	<u>(348 50)</u>
<u>151 350 00</u>	<u>151 335 80</u>	<u>(14 20)</u>

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hudson, Charlevoix County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hudson. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenue requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group

This account group presents the general long-term debt of the local unit.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 3.890 mills. The taxable value was \$26,158,329.00.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

3. Public hearings are held to obtain taxpayer comments
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u><u>322 368 57</u></u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	193 759 86
Uninsured and Uncollateralized	<u>132 901 92</u>
Total Deposits	<u><u>326 661 78</u></u>

The Township of Hudson did not have any investments as of March 31, 2004.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	227 939 67	1 040 00	-	228 979 67
Equipment and vehicles	<u>210 670 26</u>	<u>-</u>	<u>-</u>	<u>210 670 26</u>
Totals	<u><u>438 609 93</u></u>	<u><u>1 040 00</u></u>	<u><u>-</u></u>	<u><u>439 649 93</u></u>

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	2 777 63	Fire	2 777 63
General	<u>11</u>	Current Tax Collection	<u>11</u>
Total	<u>2 777 74</u>	Total	<u>2 777 74</u>

Note 5 – Changes in General Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Loan Payable – Fire Tanker	<u>4 929 00</u>	<u>-</u>	<u>3 286 00</u>	<u>1 643 00</u>

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Pension Plan

The Township has a defined contribution pension plan covering all full time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2004, was \$1,677.94.

Note 8 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 9 – Budget Variances

For the fiscal year ended March 31, 2004, Township expenditures exceeded budgeted amounts in several activities as follows:

	<u>Total Budget</u>	<u>Total Expenditures</u>	<u>Budget Variance</u>
General Fund			
Activity:			
Assessor	8 906 00	8 930 00	24 00
Board of Review	450 00	466 00	16 00
Treasurer	6 950 00	7 419 86	469 86
Building and grounds	15 000 00	18 092 68	3 092 68
Fire protection	18 264 00	18 837 84	573 84
Zoning and planning	2 584 00	2 601 56	17 56
Ambulance	1 725 00	2 325 00	600 00
Highways and streets	6 516 00	6 516 39	39
Insurance	14 746 00	14 931 55	185 55
Pension	1 650 00	1 677 94	27 94
Payroll taxes	250 00	275 36	25 36

Note 10 – Transfers In and Transfers Out

For the fiscal year ended, March 31, 2004, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
General Fund	<u>24 741 74</u>	Fire Fund	<u>24 741 74</u>
Total	<u><u>24 741 74</u></u>	Total	<u><u>24 741 74</u></u>

Note 11 – Building Permits

The Township of Hudson does not issue building permits. Building permits are issued by the County of Charlevoix.

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 12 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT EXHIBIT D  
Year Ended March 31, 2004 Page 1

Township Board:	
Salaries	<u>1 200 00</u>
Supervisor:	
Salary	<u>2 850 00</u>
Assessor:	
Wages	7 656 00
Supplies	<u>1 274 00</u>
	<u>8 930 00</u>
Clerk:	
Salary	<u>4 600 00</u>
Board of Review:	
Wages and miscellaneous	<u>466 00</u>
Treasurer:	
Salary	4 750 00
Supplies	<u>2 669 86</u>
	<u>7 419 86</u>
Building and grounds:	
Supplies	1 992 49
Utilities and snowplowing	12 856 32
Repairs and maintenance	915 46
Miscellaneous	<u>2 328 41</u>
	<u>18 092 68</u>
Cemetery:	
Repairs and maintenance	<u>113 75</u>
Unallocated	<u>4 080 00</u>
Fire protection:	
Wages	2 202 00
Utilities	3 191 85
Repairs and maintenance	12 624 62
Supplies	415 50
Gas and oil	295 71
Miscellaneous	<u>108 16</u>
	<u>18 837 84</u>

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year Ended March 31, 2004

EXHIBIT D  
Page 2

Zoning and planning:	
Commission wages	795 00
Zoning fees	1 525 79
Miscellaneous	280 77
	<u>2 601 56</u>
Ambulance:	
Contracted services	<u>2 325 00</u>
Highways and streets:	
Repairs and maintenance	<u>6 516 39</u>
Park:	
Maintenance	<u>705 65</u>
Insurance	<u>14 931 55</u>
Pension	<u>1 677 94</u>
Payroll taxes	<u>275 36</u>
Capital outlay	<u>1 040 00</u>
Debt service	<u>3 286 00</u>
Total Expenditures	<u>99 949 58</u>

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS

EXHIBIT E

March 31, 2004

	<u>Fire</u>	<u>Roads</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	-	145 513 94	145 513 94
Taxes receivable	<u>2 777 63</u>	<u>5 821 86</u>	<u>8 599 49</u>
Total Assets	<u>2 777 63</u>	<u>151 335 80</u>	<u>154 113 43</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Due to other funds	<u>2 777 63</u>	<u>-</u>	<u>2 777 63</u>
Fund balances:			
Unreserved:			
Undesignated	<u>-</u>	<u>151 335 80</u>	<u>151 335 80</u>
Total Liabilities and Fund Balances	<u>2 777 63</u>	<u>151 335 80</u>	<u>154 113 43</u>

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT F  
Year Ended March 31, 2004

	<u>Fire</u>	<u>Roads</u>	<u>Total</u>
Revenues:			
Property taxes	24 741 74	51 858 09	76 599 83
Interest	<u>-</u>	<u>1 421 21</u>	<u>1 421 21</u>
Total revenues	<u>24 741 74</u>	<u>53 279 30</u>	<u>78 021 04</u>
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>24 741 74</u>	<u>53 279 30</u>	<u>78 021 04</u>
Other financing sources (uses):			
Operating transfers out	<u>(24 741 74)</u>	<u>-</u>	<u>(24 741 74)</u>
Total other financing sources (uses)	<u>(24 741 74)</u>	<u>-</u>	<u>(24 741 74)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	-	53 279 30	53 279 30
Fund balances, April 1	<u>-</u>	<u>98 056 50</u>	<u>98 056 50</u>
Fund balances, March 31	<u>-</u>	<u>151 335 80</u>	<u>151 335 80</u>

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2004

EXHIBIT G

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	49 66	815 016 76	815 066 31	11
Total Assets	<u>49 66</u>	<u>815 016 76</u>	<u>815 066 31</u>	<u>11</u>
<u>Liabilities</u>				
Due to other funds	49 66	98 538 68	98 588 23	11
Due to others	-	716 478 08	716 478 08	-
Total Liabilities	<u>49 66</u>	<u>815 016 76</u>	<u>815 066 31</u>	<u>11</u>

TOWNSHIP OF HUDSON  
Charlevoix County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2004

EXHIBIT H

Cash on hand and in bank – beginning of year	<u>49 66</u>
Cash receipts:	
Property tax	814 907 21
Interest	<u>109 55</u>
Total cash receipts	<u>815 016 76</u>
Total beginning balance and cash receipts	<u>815 066 42</u>
Cash disbursements:	
Township General Fund	30 587 89
Township Fire Fund	21 964 11
Township Roads Fund	46 036 23
Charlevoix County	333 051 43
Boyne Falls Schools	188 602 78
Vanderbilt Schools	193 003 98
Refunds	<u>1 819 89</u>
Total cash disbursements	<u>815 066 31</u>
Cash on Hand and in Bank – End of Year	<u><u>11</u></u>

# CAMPBELL, KUSTERER & CO., P.C.

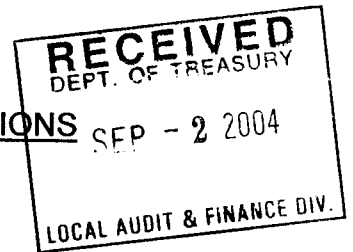
CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



August 2, 2004

To the Township Board  
Township of Hudson  
Charlevoix County, Michigan

We have audited the financial statements of the Township of Hudson, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hudson in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board  
Township of Hudson  
Charlevoix County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board  
Township of Hudson  
Charlevoix County, Michigan

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Hudson will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants